

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 TRSE-00 AGRE-00 COME-00

CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01 /086 W

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FM AMEMBASSY BERN

TO SECSTATE WASHDC 4739

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PASS AGRICULTURE AND TREASURY

EO 11652: N/A

TAGS: ETRD, SZ

SUBJ: SWISS CHEESE QUOTA - COUNTRY TRANSFERS

REF: A) STATE 182460; B) BERN 3453

1. SUMMARY: CHARGE ODELL AND ECON OFFICER BIZIC  
AUG 4 DISCUSSED USDA REQUIREMENT TO TRANSFER  
UNFILLED SWISS CHEESE QUOTA TO OTHER COUNTRIES  
WITH AMB KLAUS JACOBI, MAX KRELL AND  
CHRISTIAN BLICKENSTORFER OF SWISS DIVISION OF  
COMMERCE. JACOBI ASKED THE EMBASSY TO SUPPORT  
SWISS REQUEST THAT USDA NOT TRANSFER QUOTA FOR  
SWISS OR EMMENTHALER CHEESE. END SUMMARY.

2. AMB JACOBI ASKED FOR MEETING  
TO STRESS IMPORTANCE SWISS ATTACH TO MAIN-  
TAINING IMPORT QUOTA, THOUGH UNFILLED, FOR SWISS  
OR EMMETHALER CHEESE (TSUS 950.10B). JACOBI STRESSED  
THAT QUOTA IS UNFILLED BECAUSE SWISS AGREED WITH US  
TREASURY TO NOT EXPORT LOW QUALITY GRINDER CHEESE AND  
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TO MAINTAIN 20 CENT PRICE MARGIN ABOVE US PRICES ON  
HIGH QUALITY CHEESE, THEREBY KEEPING IT OUTSIDE THE  
QUOTA. HE SAID SWISS OBJECT TO QUOTA TRANSFER (PARA 3  
REF A) FOR FOLLOWING REASONS:

A) SWISS FEEL IT IS NOT WITHIN SPIRIT OF THEIR  
AGREEMENT WITH TREASURY FOR USDA TO TRANSFER SWISS

QUOTA. IN AGREEING TO WAIVE COUNTERVAILING DUTY ACTION ON SWISS CHEESE IMPORTS, TREASURY RECOGNIZED SWISS SPECIAL CASE, I.E., THAT WHEREAS SWISS PRICE SUPPORT SYSTEM COMES WITHIN DEFINITION OF BOUNTY UNDER US COUNTERVAILING DUTY LAW, IT IS NOT AN EXPORT SUBSIDY BUT RATHER MEANS TO SUPPORT MAINTAINING MINIMUM SWISS SELF-SUFFICIENCY IN DOMESTIC AGRICULTURE, SIMILARY TO US PRACTICE.

B) SWISS FEEL THAT TREASURY WAIVER AGREEMENT WAS DESIGNED TO PROTECT US CHEESE PRODUCERS. THEREFORE, SWISS AGREEMENT NOT TO EXPORT LOW-COST GRINDER CHEESE SHOULD NOT BE USED TO PERMIT OTHER COUNTRIES TO EXPORT THAT QUALITY CHEESE BY FILLING UNUSED SWISS QUOTA.

C) SWISS ARE CONCERNED THAT BY GIVING UP THEIR QUOTA NOW, THEY WOULD RUN RISK OF LOSING OUT TO SOME OTHER COUNTRY THE EXISTING BASIS ON WHICH THE QUOTA IS CALCULATED IN THE EVENT USDA DECIDED AT SOME FUTURE DATE TO CALCULATE NEW QUOTAS FOR COUNTRIES BASED ON DIFFERENT BASE PERIOD.

3. JACOBI SAID THAT HE RECOGNIZED USDA OBLIGATION TO TRANSFER UNFILLED QUOTAS. HOWEVER, HE SUGGESTED THAT USDA SHOULD MAKE SPECIAL ALLOWANCE FOR CASES LIMITED OFFICIAL USE

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SUCH AS SWISS WHEN QUOTA NON-FULFILLMENT IS IMPOSED BY AGREEMENT WITH ANOTHER USG AGENCY, ESPECIALLY WHEN TREASURY RECOGNIZED NEED FOR SPECIAL TREATMENT OF SWITZERLAND'S PARTICULAR CASE. CONSEQUENTLY, USDA SHOULD NOT LOOK UPON TREASURY WAIVER AGREEMENT AS PART OF GENERAL COUNTERVAILING DUTY ACTIONS WHICH HAD EFFECT OF RAISING CHEESE PRICES AND, THEREFORE, TAKING THESE CHEESE EXPORTS OUTSIDE QUOTA LIMITATIONS. USDA SHOULD RECOGNIZE TREASURY WAIVER AGREEMENT AND SWISS QUOTA AS QTE SPECIAL CONCESSION UNQTE TO SWITZERLAND, NOT AS ORDINARY QTE LIMITATION UNQTE ON ITS CHEESE EXPORTS. IN THIS CONNECTION JACOBI ALLUDED TO SPECIAL SWISS QUOTA OF 300 TONS FOR US BEEF IMPORTS, WHICH HE ASSERTED WAS DE FACTO PART OF SAME DEAL, THOUGH, HE SAID, SWISS DO NOT LEGALLY LINK BEEF AND CHEESE BECAUSE THEY MUST BE KEP SEPARATE AUTONOMOUS ITEMS UNDER GATT REGULATIONS.

4. JACOBI EMPHASIZED HIS BELIEF THAT USDA HAD ACCEPTED SWISS VIEW IN LETTERS FROM SWISS EMBASSY WASHINGTON IN 1975 AND 1976. HOWEVER, HE FELT

THAT THIS UNDERSTANDING OF SPECIAL SWISS CASE  
MAY HAVE BEEN FORGOTTEN. JACOBI SAID SWISS  
EMBASSY ECON MINISTER ARIOLI WOULD BE FOLLOWING  
UP WITH APPROPRIATE WASHINGTON AGENCIES.

5. CHARGE REPLIED THAT EMBASSY WOULD REPORT  
SWISS CONCERNS AND ARGUMENTS FOR MAINTAINING  
QUOTA. HE REJECTED IDEA THAT US BEEF QUOTA WAS  
PART OF A DE FACTO DEAL, NOTING THAT EMBASSY HAD  
FREQUENTLY ASSERTED IT WAS TOO SMALL IN RELATION  
TO POTENTIAL MARKET IN SWITZERLAND FOR US BEEF.  
JACOBI REPLIED THAT IF CHEESE QUOTA "MISUNDERSTANDING"  
PERSISTED, IT MIGHT BE NECESSARY TO TALK ABOUT  
A REDUCTION IN BEEF QUOTA RATHER THAN INCREASE.  
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6. NOTE: EMBASSY'S UNDERSTANDING OF BEEF-CHEESE  
RELATIONSHIP IS THAT WHEN SWISS RAISED US BEEF  
QUOTA FROM 100 METRIC TONS TO 300 MT JULY 1,  
1971, THEY SAID IT WAS UNILATERAL CONCESSION TO  
CREATE GOOD CLIMATE FOR SWISS CHEESE EXPORTS.  
SWISS FEEL THAT US, IN RECOGNITION OF SWITZERLAND  
AS SPECIAL CASE, THEN ADOPTED IMPORT QUOTA  
REGULATION FOR EMMENTHALER CHEESE (BASE PERIOD  
1970-72) IN CONNECTION WITH VALUE CEILING, WHICH  
MEANT SWISS EXPORTS WERE PRACTICALLY NOT LIMITED  
BY VOLUME. JACOBI NOTIFIED EMBASSY IN EARLY  
1975 THAT BEEF QUOTA WOULD BE REDUCED TO 100 MT  
AFTER JULY 1, 1975 FOR AS LONG AS COUNTERVAILING  
DUTY INVESTIGATION LASTED, BECAUSE SWISS COULD  
NOT AFFORD TO MAINTAIN SPECIAL QUOTA FOR US BEEF  
WHICH HAD BEEN GRANTED UNILATERALLY TO PROMOTE  
MUTUAL AGRICULTURAL TRADE. JACOBI ADDED THAT  
DURING VISIT TO WASHINGTON (1975) HE HAD DRAWN  
THIS BEEF-CHEESE RELATIONSHIP TO ATTENTION OF  
THEN-SSST USDA SECY YEUTTER.

7. ACTION REQUESTED: PLEASE PROVIDE BASIS FOR  
REPLY TO JACOBI'S DEMARCHE ON SWISS OR EMMENTHALER  
CHEESE QUOTE (SUS 950.10B). EMBASSY INCLINED  
SUPPORT HIS VIEW THAT AGREEMENT WITH TREASURY  
EMBODIED IN MACDONALD LETTER TO JACOBI JULY 1,  
1975 WAS SPECIAL CONCESSION TO SWISS OUT OF  
RECOGNITION OF SWISS SPECIAL CIRCUMSTANCES.  
ODELL

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## Message Attributes

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**Disposition Case Number:** n/a  
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**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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